

Uncovering a Deal?
Analyzing The Congressional Deficit-Reduction Process
Through the Lens of Majority Rule

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Conventional wisdom describes the Debt Supercommittee (SC) as a slow-motion train wreck – a polarized committee driven by partisan attempts to cut politically-sensitive programs, backstopped by automatic spending cuts with draconian policy implications. In the face of perceived polarization, there is little sense of what types of deals might emerge from the negotiations, who the significant players are, and which factors shape the prospects for success or failure of the bargaining process.

Many predictions about the shape of a potential deal have centered on the personal chemistry of committee members, or the dearth of good feeling between congressional Democrats and Republicans. These analyses do not recognize the substance of bargaining, including the set of programs and policies that might be on the chopping block and the degree of overlap in members' preferences over these specifics. In considering the shape of the potential deals, we base our analysis on measures of legislator preferences, as mediated through the fundamental congressional institution, majority rule.

More specifically, potential outcomes are described by a concept called the uncovered set (UCS), a theoretic tool that specifies the set of possible outcomes that can emerge from majority-rule decision-making among a set of individuals given their preferences across policy outcomes. We use Poole's two-dimensional Common Space NOMINATE scores to describe preferences. NOMINATEs define a legislator's preferences – their evaluations of different outcomes – as a point (“ideal point”) in a two-dimensional space. Based on the work of Poole and others, a congressman's position on the first (horizontal) dimension captures their preferences regarding the size and scope of government and other left-right issues, while the second (vertical) dimension captures preferences regarding a bundle of social issues, including abortion, gun control, and gay rights.¹

As NOMINATEs are a general measure of legislators' preferences, they do not directly tap factors such as beliefs about specific entitlement programs, evaluations of different taxation systems, or a legislator's assessment of the desirability of cuts in defense programs. As a result, using NOMINATEs in our analysis requires us to assume that these more specific evaluations are highly correlated with a legislator's NOMINATE score. Moreover, NOMINATEs may not account for all of the factors shaping preferences – such as assessments of who will be blamed if a deal is not reached, the political (in Mayhew's terms, position-taking) costs of voting for a deal, or how a legislator's vote might affect the likelihood of primary challenges. However, the availability and demonstrated utility of NOMINATEs in many other analyses of behavior in legislatures throughout the world make them a logical starting point for analyzing bargaining around a budget deal. If nothing else, an analysis based in NOMINATEs and the UCS identifies circumstances where these other

¹ In the contemporary American Congress, Democrats are almost always located to the left of their Republican colleagues on the horizontal dimension, reflecting their desire for a larger, more active federal government. Democrats are also generally located higher on the second dimension compared to Republicans.

factors might shape outcomes, and situations where they are unlikely to have much of an effect.

Given preferences for an entire chamber such as the House or the Senate or a smaller group such as the SC measured in this two-dimensional space, the uncovered set defines which outcomes can arise from debate, bargaining, and voting over outcomes, depicted as a region in the same two-dimensional space used to describe legislators' preferences.²

In a polarized legislature such as the contemporary Congress the uncovered set is generally close to the ideal points of majority party legislators – in substantive terms, this location tells us that because legislators from the majority party have more votes and similar preferences, they can work together to find deals they can live with, enact procedures that protect these deals from unraveling, and cast the votes needed to secure these outcomes, all regardless of whatever minority party legislators might do to stop them – including any counter-offers they might make to members of the majority party

The size of the uncovered set for a chamber or committee provides an indication of the role that agenda control and bargaining plays in determining legislative outcomes. A small uncovered set indicates that outcomes are highly predictable – regardless of what legislators might do to select procedures that favor their preferred outcomes, or try to build coalitions through bargaining, only a few outcomes can emerge from the process of debate, procedural votes, and votes on final passage. Conversely, when the uncovered set is large, outcomes are indeterminate, meaning that many substantively different outcomes can emerge from the legislative process.

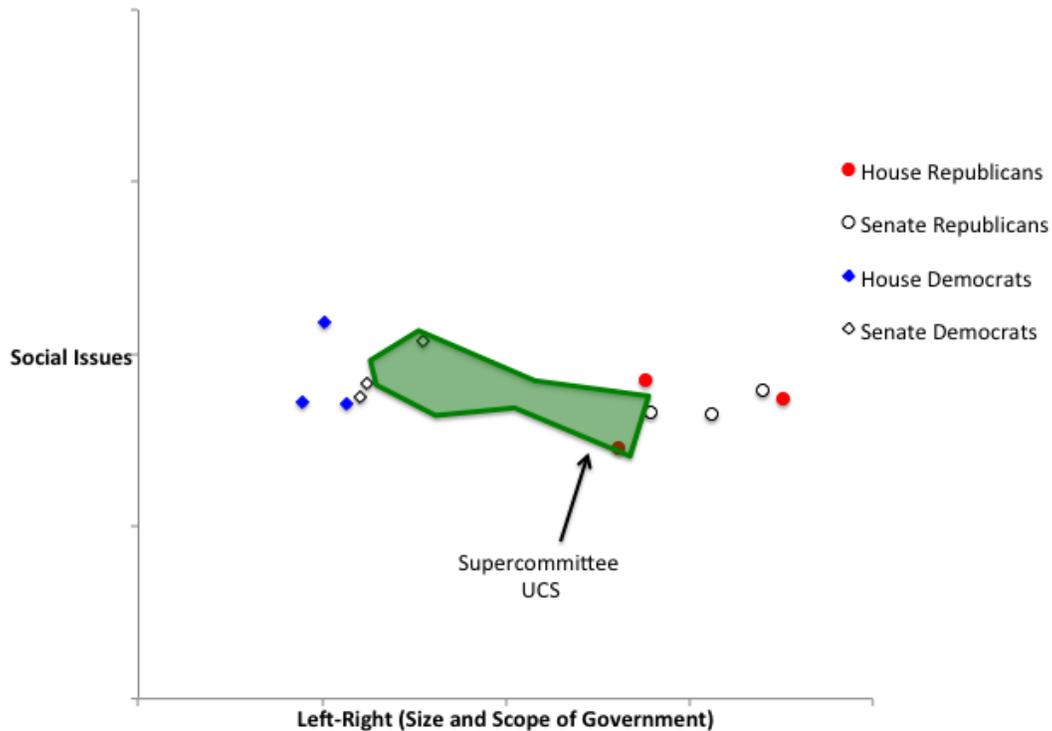
The Supercommittee

² Under normal circumstances, allowances would have to be made for filibusters in the Senate and the resulting need for supermajorities to enact legislation. However, this possibility is eliminated by procedural restrictions that require an up-or-down vote in each chamber on an SC proposal.

Figure 1 shows the ideal points of SC members and the uncovered set or set of potential outcomes that might emerge from their proceedings.

Figure 1.

Ideal Points and Uncovered Sets for the Budget Supercommittee



Democrats are on the left, and Republicans are on the right, corresponding to their significant differences over the optimal size and scope of government. The SC uncovered set is the green shape in between the two groups. Its relatively large size relative to the distance between legislators' ideal points is typical for groups with polarized preferences and equal numbers of decision-makers on each side of a divide. (If one side had a majority, for example a 7-5 split favoring Republicans, the uncovered set would be smaller, roughly circular, and shifted towards Republican legislators.) In substantive terms, the analysis reveals that the negotiation process among committee members has many possible endings –

everything from deals that satisfy moderate Democrats on the committee, to those that satisfy their moderate Republican counterparts, to many deals in between.

The relatively large size of the SC uncovered set demonstrates that focusing on committee preferences, either as individuals or in a group, as a way to predict the outcome of committee proceedings is all-but-impossible. The committee members, reflecting the nomination process, define the set of possible outcomes in very broad terms. Determining which of these deals are more likely than others requires looking beyond the committee to consider both the role of broader preferences of Senate and House members and their caucuses as well as the role of procedures and the leadership in the bargaining process.

Another insight revealed by our approach is that appointments to the SC lead to a broad range of possible outcomes on the left-right dimension but limits bargaining over the second dimension. This feature of the uncovered set reveals that appointments to the SC, whether deliberately or inadvertently, have narrowed the set of possible outcomes on the second dimension, focusing negotiations on the SC to the first dimension and issues relating to the size of government. Although Poole has shown that second dimension is usually relatively weak in analyses of Congressional voting, it provided an important fig leaf for Democrats in the April 2009, when Republicans gave up on efforts to defund social institutions such as Planned Parenthood, NPR and the EPA as part of the earlier budget deal, an arrangement reflected in President Obama's comments after the deal was reached: "We also prevented this important debate from being overtaken by politics and unrelated disagreements on social issues." However, the nature of appointments to the SC has diminished the relevance of these issues for any compromise.

Chamber Uncovered Sets

Figure two shows the preferences of House members and Senators measured using the same dimensions as figure one, along with the chamber uncovered sets of the House, Senate, and SC. President Obama's ideal point (omitted for clarity) is located in the top left-hand region of the cloud of Democratic ideal points. This figure also locates the reversion point, the set of cuts that will automatically be enacted if the SC fails in its own negotiations.

Figure 2.

Ideal Points and Outcomes for the 112th Congress

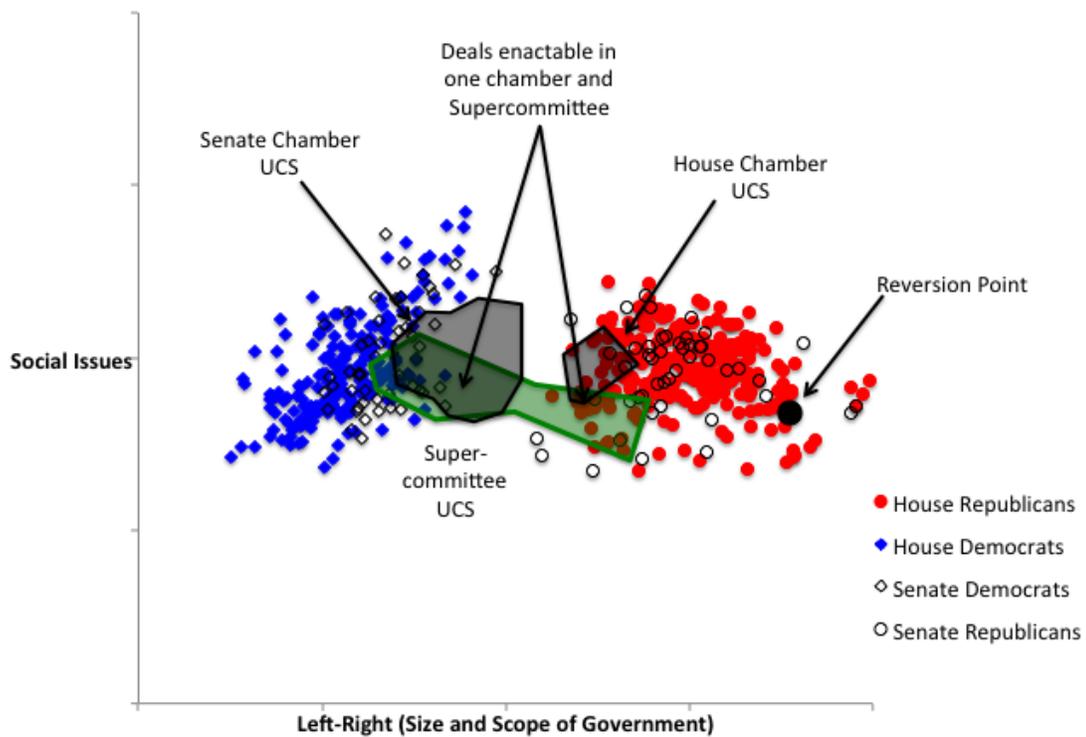


Figure two reflects the well-known polarization of Congress: Democrats on the left, Republicans on the right, with some spread in each cohort along the second dimension, and no one in the middle. The majority-Democratic Senate's uncovered set is on the left, with the uncovered set of the majority-Republican House on the right. The two chamber uncovered sets have no overlap, which means that no proposal is enactable in both Houses

– more realistically, no proposal can pass both Houses without side payments that induce some legislators to support something that they would otherwise be inclined to oppose.

The policy differences between the House and Senate as depicted in figure 2 highlights a fundamental limitation of the SC. Given that congressional parties are polarized, it is not surprising that when each party controls one chamber, it is impossible to find a proposal that can pass both chambers on its own. This configuration and its negative implications for enacting a deficit-reduction deal is consistent with Binder’s finding that divided government contributes to policy gridlock. When the SC was created, some accounts were optimistic about its ability to find consensus where other mechanisms had failed, including negotiations between party leaders (with or without the President and Vice President), informal groups such as the Gang of Six, and conference procedures. However, creating the SC does nothing to mitigate gridlock; all it does is establish a new source for deficit-cutting proposals and a procedure for voting on whatever emerges from committee negotiations. The underlying policy differences between congressional Democrats and Republicans are the same as before, creating significant difficulties in enacting a deficit reduction deal.

Figure two also shows two kinds of deals are enactable in the SC and in one chamber – these are located where the SC uncovered set overlaps one chamber uncovered set, a wide range of outcomes on the Democratic side of the space, and a smaller region on the Republican side. These deals, we argue, will be the focus of committee deliberation, because they are the easiest to enact. One kind of deal reflects the preferences of moderate Senate Democrats and is enactable in that chamber, with side payments needed to build House majority support. The second kind of deal (a relatively narrow range of outcomes) satisfies moderate House Republicans and will gain majority support on the merits in that

chamber, with side payments required for a Senate majority. Presumably, the former package would mix spending cuts and taxes, while the latter would have more spending cuts and few or no revenue enhancements.

The necessity for side payments (such as incorporation of payroll tax cuts from the president's jobs bill) in any successful budget deal underlines the subordination of the SC to the congressional parties and their leaders in the House and Senate, a finding consistent with analyses of congressional proceedings by many scholars, most notably Aldrich and Rohde and Cox and McCubbins, that highlight the role of the party organizations in shaping congressional outcomes. In theory, the procedures that govern floor consideration of a SC proposal leave no role for the parties and their leaders, in that the proposal must be brought up for a prompt up or down vote with no opportunity for amendments or agenda setting. In practice, however, enacting a deal requires the support of party leaders in at least one house, who can use their whip networks to identify malleable legislators, determine what is needed to build majority support, and deliver these benefits, in the form of minor modifications to a deficit-reduction deal or some other inducement such as promises of committee assignments, contributions, or joint appearances during a future campaign.

The Reversion Point

The final factor that shapes potential outcomes in the budget negotiations is the reversion point of automatic budget cuts. The question is, which legislators like this outcome (or dislike it less) – they are in a superior bargaining position, and can successfully demand their preferred deal.

We locate the reversion point by finding the average ideal point of House members (eight in all) who (a) are members of the Tea Party Caucus, (b) voted against the spending and debt-limit deals in April and August 2011, and (c) voted against funding for the F-35

program in June 2011. These individuals, we believe, would view across-the-board cuts favorably, so their ideal points provide a good estimate of the reversion point.

As shown in figure 2, the reversion point is much closer to Republican ideal points (particularly House Republicans) than to House or Senate Democrats or to the President. In bargaining terms, the relative attractiveness of automatic cuts to Republican legislators means that they can demand a deal with spending cuts and either no taxes or very limited taxes, and make their demands stick. Democrats may find this deal distasteful, but they will like automatic cuts even less.³ This reasoning predicts that Democrats have very strong incentives to make a deal and that any deal that is likely to emerge from the SC will be skewed toward Republican goals.

This Republican advantage in the bargaining process may explain why the Republican Party leaders, particularly Speaker Boehner and Majority Leader Cantor, agreed to let the SC make decisions using simple majority rule, rather than requiring approval by a majority of each chamber's SC members in separate votes, which was the procedure used in several recent Joint Committees on the Organization of Congress. Simply put, Republicans can concede on SC procedures, supporting a seemingly fair, bipartisan voting procedure because the larger bargaining game favors their point of view.

The counter to this argument focuses on the substance of the trigger, which includes significant cuts in military spending in its mandate. Recent polls demonstrate that a plurality of voters, largely likely Democratic voters, support cuts in defense spending, suggesting that the political costs of cuts would disproportionately fall on Republican representatives.

³ It could be argued that the reversion point should be located even further to the right than its location in figure two, making it an unattractive outcome to all but the most extreme Republican House members – such as Rep. Ron Paul, who is one of the legislators in the clump on the right-hand side of the Republican distribution in figure 2. Locating the reversion point near Representative Paul makes sense given his oft-stated preference for large cuts in federal spending, including defense, domestic, and entitlement programs. Such a change would weaken the Republican's bargaining advantage, but it would not eliminate it. It might, however, reinforce the pressure on Republicans to find a way to suspend the automatic cuts.

However, lawmakers on both sides of the aisle now suggest that avoiding defense cuts can be accomplished with bipartisan support, perhaps mitigating the political cost for Republicans of holding the line on taxes, and restoring their advantage in the bargaining process.

The Bottom Line

Many different deals can emerge from bargaining among SC members. But if negotiations center on deals that are enactable in the House or Senate, then only two kinds of deals are plausible. The first is a deal in which the House leadership is able to use its influence to accommodate the preferences of moderate Senate Democrats. This outcome is most likely in the case that House Republican leadership perceives the political cost of the reversion point as just too high with election a year away, and expects that the blame for a failure to cut the deficit will fall squarely on House Republican incumbents. However, this possibility becomes unlikely insofar as schemes to avoid defense cuts emerge. Conversely, if political costs are thought to be small, and bargaining is driven by policy concerns, then the pressure of the reversion mechanisms is likely to force House and Senate Democrats to agree to a deal that gives House Republicans most of what they want.

The analysis also reveals the critical role of side payments in securing enactment of a budget deal. Given the configuration of chamber uncovered sets, even if a deal emerges from the SC with strong bipartisan support, it cannot be enacted in both Houses without support from legislators who oppose it on the merits, a problem magnified by the inability to use policy concessions along the second dimension to attract support for a deal. If congressional leaders do not have enough side payments to compel a majority in one chamber to accommodate the preferences of the other – for a deal couched mostly in terms

of the size and scope of government – then it is hard to see how Supercommittee process will produce a successful budget deal.

In the end, rather than taking power away from party leaders, the SC process puts them at the center of negotiations from beginning to end, and makes their support an essential component of any successful deal. Given policy deadlock between the House and Senate, leaders' deployment of side payments is critical for success. Moreover, party leaders can provide important political cover to their caucuses. Leader support of an SC proposal gives their backbenchers a ready-made response to constituent criticisms of a yea vote – in Fenno's terms, an explanation of Washington activity. It is not surprising, then, that as negotiations on the SC proceed, committee members from both parties are frequently consulting party leaders on both sides of the aisle – these leaders know as well as anyone which deals might be enactable, and control the political and policy resources needed to secure these outcomes.

Finally, our analysis highlights a dilemma facing the Republican leadership. While these leaders might prefer take automatic budget cuts off the table, either because they dislike the policy implications or feel that they and their party will feel the brunt of voter wrath, doing so erodes their bargaining position in budget negotiations. Thus, Republicans leaders must decide which outcome they consider to be more troubling: the prospect of a budget deal that favors Democrats, or the possibility of automatic cuts on programs they and their constituents favor, along with the possibility of significant political costs. Such concerns are consistent with attempts to find a way to sidestep the cuts in defense spending that will be triggered by a failure to enact a deficit-cutting deal. How Republicans resolve these issues will shape what sort of deal emerges from the SC and its prospects for success in the House and Senate.